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ABSTRACT

This pamphlet describes a conference that brought together more than 40 leading practitioners and researchers from 14 states and the nation's capital to address the challenges posed by the fundamental changes affecting the nation's economy. Three sessions discussed critical policy questions confronting researchers and practitioners. The first examined the art and science of projecting the future of state economies. The nation's top economic forecasters agreed that the art of forecasting has severe limitations and explored implications for practice. Suggestions included using diverse sources for gathering data, targeting industry analyses, improving regional cooperation, and building institutional capacity. The second session explored implications for practice, such as training for the skills that industry needs, improving programs for dislocated workers, confronting discrimination, and forging a new social contract. The evolving mismatch between the skills of the work force and employment opportunities was discussed. The last session considered how education and training institutions should respond to this increasingly damaging disjunction and explored implications for practice, such as giving responsibility to teachers and principals, broadening experience outside of school, supporting structural change, and changing priorities. A list of names and affiliations of participants appear at the end of the pamphlet. (NLL)

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Jobs for the Future (JFF) assists public and private leaders to respond to challenges posed by the fundamental changes affecting the nation's economy. Technological innovations, the fluctuating strength of the dollar, international competitive pressure and shifts in the capacity of the labor force have combined to usher in an era of unprecedented change. Some states and regions have emerged better off. Others have been damaged, even during a dramatic period of national economic expansion.

Since 1983, Jobs for the Future has helped state policy leaders increase their state's potential for economic growth and opportunity. The JFF process begins with a careful assessment of a state's likely sources of economic growth and causes of decline. Based on this analysis, JFF then works with state agencies, private corporations, community leaders and elected officials to build human capital and to realign state development programs. Finally, JFF translates these policy objectives into an action agenda for leaders. This process has produced tangible results in Connecticut and Arkansas and is midstream in Colorado, Indiana, Missouri and Mississippi.

With support from The Ford and Primerica Foundations, JFF convened a working conference in March 1988. Held at The Johnson Foundation's Wingspread facility, the conference brought together more than 40 leading practitioners and researchers from 14 states and the nation's capital to address "Preparing Today for Tomorrow's Economy: State Responses to Structural Change."

Three sessions discussed critical policy questions confronting researchers and practitioners. The first examined the art and science of projecting the future of state economies. The second explored the implications of the evolving mismatch between the skills of the work force and employment opportunities. The last session considered how education and training institutions should respond to this increasingly damaging disjunction. The names and affiliations of participants appear at the end of this pamphlet.

Wingspread Conference Facility, Racine, Wisconsin

Projecting the Future of State Economies: The State of the Art

"States are prone to spread out resources rather than to place them strategically. Given the federal deficit, states will be under even more pressure to spread resources among all claimants."

RICHARD M. McGAHEY

All states are in the business of increasing their competitiveness relative to other states. One state is more competitive than another if it harnesses its resources in pursuit of a clearly defined, realistic set of economic objectives. In that respect, states are like large corporations in the private sector. And like corporate CEOs, state policy leaders need a clear, detailed picture of what the future holds for their segment of the national economy. A dependable inventory of opportunities and liabilities provides leaders with a basis from which to allocate resources and manage change.

Session One was based on the premise that state leaders need a clearer notion of how economic trends affect states before they allocate resources.

The Limits of Forecasting

The nation's top economic forecasters agreed that the art of forecasting has severe limitations:

Degree of Accuracy: There is a strong possibility that the results of economic modelling exercises will be incorrect, particularly at the state level where the relative error for projections is 50 to 100% greater than that for national projections, which are based on a larger sample. Moreover, recent research shows the Federal Bureau of Labor Statistics has gotten the direction of anticipated change wrong more than 35% of the time when projecting employment trends. The error in occupational forecasts is two times greater than for industrial forecasts. The reason appears to lie not so much in the inability to predict cyclical factors, such as the 1982 recession, as in the inability to project important structural changes occurring in industries.

Level of Aggregation: Most policy makers want detailed projections over the longest period possible. However, the more specific and longer-term the projections, the more prone they are to error. The error rate for modestly detailed projections (two digit SIC code) is 45% greater than that for projections at the higher level of aggregation (one digit SIC code). Overall, there is a 15% error rate for all industry projections. This equals the average industrial rate of growth for the country.

Scenarios: Forecasting experts generally insist that one scenario for growth is misleading. One way to compensate is to produce alternative scenarios which provide a way of understanding how sensitive the state's economic future is to various national and state trends. The differences between high, medium, and low growth scenarios can be substantial.

These findings suggest that what is technically the most accurate way to forecast economic change conflicts directly with the dominant desire of most policy makers for unequivocal forecasts on which to base policy direction.

They also leave unanswered the ultimate question about forecasting: "So what? What will you use the data for, assuming you can get good data?" Too often, data is used to buttress policy decisions that have already been made.

"We (JFF and other policy analysts) need to begin to track the sensitivity of our projections to decision-making. We must look at key variables in state economies and worry most about those variables that the state's underlying structure is most vulnerable to. We must do analysis, not generate numbers."

RONALD E. KUTSCHER

Session Highlights

"Data Analysis can't be used in a mechanical way. It's important to monitor actual economic activity at the state level and not just rely on forecasts."

Hugh Knox

"We must focus our efforts on three areas: Improve the data base, empower the institutions that deliver the data, and empower the individuals that use it."

Julie Lester

"Planners want number specific, time specific, place specific information. This is policy by 'Connecting the dots'."

Andrew M. Sum

IMPLICATIONS FOR PRACTICE

Use Diverse Sources for Gathering Data

The process of preparing visions of the future must be widened to include data and information from diverse sources, including leading private-sector analysts. It is also important to help state leaders realize the strengths and weaknesses of econometric models.

Include Targeted Industry Analyses

Panelists encouraged analysts to complement sweeping state-wide studies with highly targeted analyses of key industries. Industries in trouble, or sectors thought to have significant growth potential should be examined to identify opportunities or problems that modelling might overlook. Such analysis can yield useful detail on emerging production technologies, product markets, work structure, staffing patterns and hiring and training practices.

Improve Regional Cooperation

There is a need for greater regional cooperation on economic analysis. Most data is generated according to political (state) boundaries while economic and demographic changes ignore boundaries and should be analyzed accordingly.

Build Institutional Capacity

States need to build the institutional capacity for monitoring economic performance year to year and for sustaining interest in the quality and output of the effort. A key challenge is building a constituency for accurate information.

The Competencies of the Work Force: The Evolving Mismatch between Workers and Employment Opportunities

Left, H. Allan Hunt; right, William J. Spring

"We have had, do have, and will have a grotesque over supply of unskilled workers in this country.... The lesson that I have learned from looking at dislocated workers in the attempts to turn them into something else, namely relocated workers, is that most of them don't have the basic academic competencies to make it possible for them to absorb skill training. In the end, you can't turn them into anything else."

H. ALLAN HUNT

Not only has the dramatic realignment of both the manufacturing and service sectors placed a premium on different skills and levels of educational attainment, but the nature of many occupations has been dramatically altered to increase the educational prerequisites. Analytic work is needed to determine the extent and characteristics of the mismatch between the competencies employers need and the capacities of the work force.

Session Two focused on what competencies are needed for the future and why systems of preparing the work force are dangerously inadequate.

The Call for Higher Skills

A recurring theme was that a growing percentage of jobs, in high or low tech, in the service or the manufacturing sectors, need a more sophisticated labor force to compete domestically and internationally. For example, detailed studies of the textile industry have examined the increasingly sophisticated nature of what at first might appear to be a "traditional" manufacturing occupation. Large investments in new technologies have led to the need for increasingly literate and math-skilled operators, replacing large numbers of what used to be "unskilled jobs." And, of potentially greater importance, reorganizations within textile firms have placed greater responsibility on lower level jobs. As a result, while the same company may be advertising for what appears to be the same job, in fact it requires a better educated worker able to handle increased autonomy and accountability.

Also, employers and employees alike find that one of the greatest barriers to productivity lay in the lack of skills to communicate and collaborate in an increasingly interdependent work environment. The urgent need for stronger interpersonal skills expressed by many employers raises complicated challenges for the education and training system. Often, however, workers' perceived lack of interpersonal skills may be as much a problem of corporate policy and practice as a deficiency in the worker.

The rapid pace of change requires an ever larger percentage of the work force to keep learning and relearning. But whatever the schools teach, too few of our workers emerge with the capacity to become the life-long learners that the pace of change and innovation requires.

In short, there is a crisis of human capital. Two years ago, state leaders worried about high rates of unemployment and wooed firms using tax abatements, public works and finance packages. Today, more successful states build on those now-standard incentives by developing a more competitive work force through large, long-lasting investments in education and training.

Session Highlights

"The discussion here highlights the dangers of putting all your policy eggs in one basket. To make the necessary links between data systems and education and training, states must involve all available resources."

Graham S. Finney

"When we figure out exactly what it is we want to teach, I suspect that we will find that our educational institutions are not appropriate to really teach it or, perhaps even more important, our employment institutions are not able to make use of those skills that we teach."

Thomas Bailey

"The critical skill gap we hear from employers is interpersonal, interpersonal, interpersonal."

Richard E. Boyatzis

"We've had people up here saying the labor market works and these training institutions work. I don't believe it. What you have is that people can't imagine anything better."

WILLIAM J. SPRING

IMPLICATIONS FOR PRACTICE

Train for the Skills that Industry Needs

Training curricula must be determined by how industries are changing, i.e. their use of sophisticated technology and their increasing tendency to place greater responsibility in lower level jobs.

Communicate

Better linkages are needed between training and labor market institutions to provide stable employment. An improved system would provide clear communication between employers, workers, and job training institutions about exactly what people have to learn in order to master their crafts and be employed.

Improve Programs for Dislocated Workers

Impediments for workers on unemployment insurance to receive training must be removed; rapid responses to plant closings must be organized; placement services must emphasize early intervention.

Confront Discrimination

Discrimination as a factor in unemployment and underemployment is a reality that must continue to be confronted. At a time when the economy needs every worker, both public and private sector leaders must do more to develop connections with the minority labor force.

Forge a New Social Contract

Finally, the learning system, in order to function with true efficacy, needs to be based on a clearer and more explicit agreement between employers, those who represent workers, and the educational/job training institutions. Workers need increased assurances that learning will in fact increase employability while employers need greater certainty that training will produce a more competitive work force.

Preparing Today's Work Force for Tomorrow's Jobs: The Response from Education and Training Institutions

"The question we have to ask ourselves in this country is why employers in the United States or anywhere else in the world are going to pay American workers six to ten times as much to work half as many hours as the competition elsewhere in the world. That, in my opinion, is the nature of the challenge with the bottom half of the labor force. We've got to have a reason for people to pay the bottom half of the distribution in the United States ten times as much to work half as hard."

MARC S. TUCKER

The competitive challenge this country faces is quantifiable: "Why should employers in the United States (or elsewhere) pay American workers six to ten times as much to work fewer hours than the competition elsewhere in the world?" Our society must either produce workers that are sufficiently productive to warrant the pay differential or reduce its standard of living. Unfortunately, our schools, in their current form, are ill-equipped to meet this challenge. This is particularly true and especially troubling in those schools that service low income and minority students, including those in our central cities.

Session Three dealt with this most complex and troubling question of how our schools and training institutions can produce the competitive work force our nation needs.

New Economy, New Forms

Panelists stressed that short term commitments to school improvement, including those that depend on rigid state mandates, are likely to be costly and ineffective. Troubled schools failing their students need to be rebuilt from the ground up, not simply ordered to do better. This will require a better paid, more professional corps of teachers who exercise greater control over their own environments. In return for this enhanced status, schools and the professionals that manage them will need to be more accountable for the learning process and its outcomes.

Like panelists in Session Two, speakers here reiterated the implications for education of the accelerating shift from mass to flexible production. This shift makes the differences between school-based and non-school learning especially important. Unlike the work place, schools tend to value individual cognition over shared learning, pure over practical thought, generalized learning over situation-specific reasoning. Schools need to recognize these differences and consider adapting their curricula more to the future demands that will be placed on their students.

The panel emphasized the need to consider investments at each level of the system from the elementary and secondary schools, to the community colleges and universities. The panel also stressed that those investments must be part of a comprehensive effort by individual states to enhance their human capital. Such investments ought to enhance the capacity of the citizenry as well as the state's competitive position in the national and global economy.

Session Highlights

"There seems to be a closed dialogue of educators talking to educators about educational reform. What about the family? Any educational reform package must address the role of the people outside the schools."

Gary E. King

"Getting results from the policy process demands a longer time frame from our leaders. Too often, state legislatures are like children: They keep pulling up the flowers to see if they are growing."

George B. Autry

"It is an absolute illusion and delusion to think that [states] control education, and it is even more frightening when they act as if they do."

Richard R. DeLone

"I suggest to you that this is precisely the challenge ahead of us: to make thinking and problem-solving a regular part of a school program for all of the population, even minorities, even non-English speakers, even the poor, even the low-income, single mothers – to assume that all individuals, not just the elite, can become competent thinkers."

SUE E. BERRYMAN

IMPLICATIONS FOR PRACTICE

Give Responsibility to Teachers and Principals

Improving the education system will require states to work directly with teachers and principals, thereby instigating change through encouraging and supporting bottom-up efforts.

Broaden Experience Outside of School

Students must be given opportunities to be exposed to the world outside of school. This exposure will make them more motivated to learn and acquaint them with some of the differences between school and work-based performance. As it now stands, young people make decisions about their lives based on very little information. We need to give them as much information as possible about potential job opportunities – and these job opportunities must be real. If the job is nothing more meaningful than a poor wage, and not integrated in some way to a young person's interests and aspirations, it is naive to think that the job will be an incentive for kids to learn or stay in school.

Support Structural Change

To teach higher level skills, we need highly qualified teachers. A key question is how to get the kind of teachers we need to produce the kind of adults we need. Competitive pay is important, but not enough. Teacher empowerment is important, but not enough. The United States must fundamentally restructure its schools, creating a system of incentives that turn schools into performance-oriented institutions.

Change Priorities

The discussion suggests new priorities for education that go beyond the current focus on discipline and basic skills. Schools must put greater emphasis on shared learning and teamwork, and less on individual cognition.

"For Jobs for the Future to be most effective, it is clear that we must systematically develop three areas: states' institutional capacity for managing change, action programs for preparing the work force and deeper communication with the public."

HILARY C. PENNINGTON

Left to right: Arthur H. White, John H. Alschuler, Jr., Hilary C. Pennington

"The answer to the kind of long-term systemic problems we are discussing here is not a program or a series of programs... I think the next set of barriers that the people in this room have to work at is institutionalizing the incentives for change at the senior level of management in states."

JOHN H. ALSCHULER, JR.

"I urge you to leave this conference realistic about the very difficult challenges we face to improve states' economies. This meeting, however, has provided a variety of strategies that, I hope, will help you create and successfully implement new solutions."

Arthur H. White

"In public life, I've found the most powerful lever you have is to be an educator. An educator, in the sense of what you say, how you frame the debate, etc... An inspirational statement, that goes directly to the condition of people... that kind of statement can dramatically turn things around in this country."

Paul N. Ylvisaker

Several overarching themes emerged from the conference. First was the need to connect strategic thinking about the future of education in a state to a better understanding of the evolving needs of state economies. Too often, educational policy is constructed absent a rational or even an explicit relationship to the future needs of the economy. Investment decisions about university research complexes or early childhood education need to be grounded in an understanding of the range of reasonable possibilities for a state's economy, if limited resources are to be allocated efficiently.

Most significant, to implement this strategy, states need a long-term time horizon and a fundamental shift in thinking. Each panelist argued that improvements in short term training programs would not fill voids left by failures of basic schooling experiences. Whereas a new development finance program can move from conceptualization to authorization to implementation in less than two years, the harvest from investments in education matures far more slowly. State leaders, governors in particular, must recognize this and build the support for long-term investments.

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Jobs for the Future (JFF) is a non-profit, non-partisan organization that helps states anticipate and manage economic change. JFF's ultimate goal is results: action by individuals, elected officials, private corporations, educators, unions, and community leaders to strengthen a state's work force and economy. To achieve this goal, JFF undertakes activities that address four concerns: to *advance understanding* about emerging economic trends, to *promote innovation* in employment, economic development and education programs, to *strengthen state and community mechanisms* for making and implementing policy, and to *empower individuals* to understand and benefit from economic change.

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